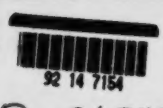

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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FORM 10-Q

☒ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 1992

BEST COPY AVAILABLE

OR

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission file number Q-19162

BWIP HOLDING, INC.

(Exact name of Registrant as specified in its charter)

Delaware	33-0270574
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

200 Oceangate Boulevard
Suite 900
Long Beach, California 90802
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (310) 435-3700

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

LJ Q

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

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Class A Common Stock, $.01 par value, outstanding at March 31, 1992	24,275,000
Class B Common Stock, $.01 par value, outstanding at March 31, 1992	None (shares)

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BMTP HOLDING, INC.

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Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

BWIP HOLDING, INC.
Condensed Consolidated Balance Sheets
(In thousands)

Assets	March 31, 1992 (Unaudited)	December 31, 1991
Current assets:		
Cash and cash equivalents	$ 14,235	$ 20,511
Accounts and notes receivable (less allowance for doubtful accounts of $2,850 at March 31, 1992 and $2,813 at December 31, 1991)	87,880	83,107
Inventories	64,135	70,281
Other current assets	14,031	5,168
Total current assets	180,281	179,067
Property, plant and equipment, at cost (net of accumulated depreciation and amortization of $43,735 at March 31, 1992 and $41,956 at December 31, 1991)	104,038	105,752
Goodwill (net of accumulated amortization of $4,499 at March 31, 1992 and $4,264 at December 31, 1991)	34,028	35,196
Other assets	12,830	11,666
Total assets	$331,177	$331,681

See accompanying notes to condensed consolidated financial statements.

BWIP HOLDING, INC.
Condensed Consolidated Balance Sheets
(In thousands)

Liabilities and Stockholders' Equity	March 31, 1992 (Unaudited)	December 31, 1991
Current liabilities:		
Accounts payable	$ 28,295	$ 30,988
Current maturities of long-term debt	1,598	1,507
Other current liabilities	41,215	36,922
Total current liabilities	71,108	69,417
Long-term debt, excluding current maturities	89,754	100,011
Other long-term liabilities	25,326	22,522
Stockholders' equity:		
Preferred stock	-	-
Common stock	245	245
Paid-in capital	85,763	85,763
Retained earnings	57,783	47,531
Cumulative translation adjustment	1,811	6,805
	145,602	140,344
Less common stock in treasury, at cost	(613)	(613)
Total stockholders' equity	144,989	139,731
Total liabilities and stockholders' equity	$331,177	$331,681

See accompanying notes to condensed consolidated financial statements.

BMP HOLDING, INC.
Condensed Consolidated Statements of Operations
(Unaudited)
(Dollar amounts in thousands except share data)

	Three Months Ended March 31, 1992	March 31, 1991
Net sales	$114,416	$104,530
Cost of sales	67,127	58,915
Gross profit	47,289	45,615
Selling, administrative and operating expenses	25,003	23,783
Operating income	22,286	21,832
Interest expense, net	3,334	4,755
Other expenses (Note 6)	655	-
Income before income taxes, extraordinary item and cumulative effect of change in accounting principle	18,297	17,077
Provision for income taxes	6,221	6,317
Income before extraordinary item and cumulative effect of change in accounting principle	12,076	10,760
Extraordinary loss, net of tax (Note 6)	(2,914)	-
Income before cumulative effect of change in accounting principle	9,162	10,760
Cumulative effect of change in accounting for income taxes (Note 5)	2,000	-
Net income	$ 11,162	$ 10,760
Earnings per common share:		
Before extraordinary item and cumulative effect of change in accounting principle	$ 0.50	$ 0.53
Extraordinary loss	(0.12)	-
Cumulative effect of change in accounting for income taxes	0.08	-
Net income per common share	$ 0.46	$ 0.53
Weighted average number of common shares outstanding	24,275,000	20,275,000

See accompanying notes to condensed consolidated financial statements.

BWIP HOLDING, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(In thousands)

	Three Months Ended March 31, 1992	March 31, 1991
Cash flows from (used in) operating activities	$ 12,666	$(14,564)
Cash flows from (used in) investing activities:		
Capital expenditures	(3,124)	(2,921)
Proceeds from disposition of property and equipment	103	145
Net cash (used in) investing activities	(3,021)	(2,776)
Cash flows from (used in) financing activities:		
Borrowings under credit agreements	8,500	23,156
Payments under credit agreements	(8,500)	(18,072)
Prepayment of 8.5% Junior Subordinated Notes	(14,201)	-
Dividends paid	(910)	-
Other	-	9
Net cash from (used in) financing activities	(15,111)	5,093
Effect of exchange rate changes on cash	(810)	(420)
Net decrease in cash and cash equivalents	(6,276)	(12,667)
Cash and cash equivalents at beginning of period	20,511	18,089
Cash and cash equivalents at end of period	$ 14,235	$ 5,422
Supplemental cash flow disclosures:		
Interest paid	$ 1,106	$ 1,873
Income taxes paid	3,132	6,455

See accompanying notes to condensed consolidated financial statements.

BWIP HOLDING, INC.
Notes to Condensed Consolidated Financial Statements
(Unaudited)
(Dollar amounts in thousands except per share data)

1. Basis of Presentation

The accompanying condensed consolidated balance sheet as of March 31, 1992 and the related condensed consolidated statements of operations and cash flows for the three months ended March 31, 1992 and 1991 are unaudited. In management's opinion, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of such financial statements have been made.

The condensed financial statements and notes in this Form 10-Q are presented as permitted by Regulation S-X, and do not contain certain information included in the Company's annual financial statements and notes. Interim results are not necessarily indicative of results to be expected for a full year and are subject to audit and adjustment at the end of the year.

2. Organization

BWIP Holding, Inc. (Holding) was incorporated in March 1987 and acquired BW/IP International, Inc. (BW/IP), formerly Borg-Warner Industrial Products, Inc., on May 20, 1987. Holding conducted no business activity prior to the acquisition and substantially all of Holding's business activities are conducted through BW/IP and BW/IP's subsidiaries.

Unless the context otherwise requires, references herein to "the Company" are to Holding and BW/IP and its consolidated subsidiaries.

3. Inventories

Inventories consist of the following:

	March 31, 1992	December 31, 1991
Finished parts	$34,328	$33,720
Work in process	36,529	42,700
Raw materials and supplies	7,932	9,997
	78,789	86,417
Less progress billings	(14,654)	(16,136)
Net inventories	$64,135	$70,281

4. Guarantee of Indebtedness and Restriction of Net Assets of Subsidiary

The Company's U.S. credit facility and certain other outstanding debt agreements (including the new debt facilities discussed in Note 7) restrict the payment of dividends by BW/IP to Holding (and thereby limit Holding's ability to pay dividends on its common stock) except in certain specific circumstances or unless certain financial tests are met. As of March 31, 1992, after giving effect to dividends declared to date, approximately $8.1 million would have been available for the payment of dividends by BW/IP to Holding pursuant to the most restrictive covenants under both the Company's U.S. credit facility and certain other outstanding debt agreements.

Holding has also fully and unconditionally guaranteed BW/IP's subordinated indebtedness. Because Holding has virtually no operations and its principal asset consists of its investment in BW/IP, summarized financial information of BW/IP as of March 31, 1992 and December 31, 1991, and for the three months ended March 31, 1992 and 1991 is identical, in all material respects, to the condensed consolidated financial data of Holding presented within these statements.

5. Accounting Change - Income Taxes

Effective January 1, 1992, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS 109). The new statement supersedes the Company's previous accounting practice of accounting for income taxes under Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes" (SFAS 96). Both statements require the use of the liability method of accounting for income taxes, but the recognition of deferred tax assets was limited under SFAS 96. Under SFAS 109, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse. The cumulative effect of adopting SFAS 109 resulted in the recognition of a $2 million gain, or $.08 per share.

The primary components of temporary differences which give rise to the Company's net deferred tax liability, as restated effective January 1, 1992, are as follows:

Deferred tax assets:	
Foreign tax credits	$ 5,759
Warranty and other reserves	3,869
Inventories	3,318
Accrued liabilities	1,632
Foreign investment tax credits	1,000
Other	1,480
Valuation allowance	-
Total deferred tax asset	17,058
Deferred tax liabilities:	
Unremitted earnings of foreign affiliates	8,182
Property, plant and equipment (excess book basis over tax basis)	8,077
Goodwill (the Netherlands)	1,779
Pension assets	1,105
Total deferred tax liability	19,143
Net deferred tax liability	$ 2,085

The Company believes that the components of the provision for income taxes and the annual effective rate reconciliation will not vary significantly from that previously reported.

The provision for income taxes for the three months ended March 31, 1991 is included in the condensed consolidated statements of operations as previously presented.

6. Secondary Public Offering

On February 26, 1992, the Company completed a secondary public offering of 6,325,000 shares of its Class A common stock. All of the shares were sold by selling stockholders other than the Company. Subject to agreements with such selling stockholders, the Company was obligated to pay certain expenses related to the offering. Such expenses totaled approximately $650 ($453 after-tax, or $.02 per share) and have been recorded in the other expenses line within the condensed consolidated statements of operations.

As a result of the secondary offering, the Company was required to prepay the 8.5% Junior Subordinated Notes due Borg-Warner Corporation at a price equal to the $14,201 principal amount thereof. Such prepayment was made from available funds and resulted in a reduction in long-term debt of approximately $9.9 million and in the Company's incurring an extraordinary loss on this transaction equal to the unamortized discount on those notes as of the prepayment date, approximately $4.2 million ($2.9 million after-tax, or $0.12 per share).

7. Subsequent Event

On May 4, 1992, the Company notified holders of its senior subordinated and subordinated debentures that the Company would redeem all such indebtedness on May 19, 1992. Such indebtedness includes $61 million in face amount of 12.25% senior subordinated debentures that mature in 1997 and $26 million in face amount of 12.75% subordinated debentures that mature in 1999. In order to effect the refinancing, on April 30, 1992 the Company issued in a private placement $50 million of 7.92% senior notes that mature in 1999 (subject to mandatory prepayments beginning in 1994). Additionally, on May 4, 1992 the Company amended its U.S. credit facility to increase its credit line to $100 million, a portion of which will be applied to effect the redemption. As a result of such redemption, the Company will incur an extraordinary loss of approximately $7.7 million during the second quarter of 1992.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

The following discussion and analysis relates to the Company on a consolidated basis and should be read in conjunction with the condensed consolidated financial statements included elsewhere in this quarterly report on Form 10-Q.

For financial reporting purposes, the Company's operations are divided into two industry segments, the Pump/Seal Segment and the Fluid Controls Segment. For the three months ended March 31, 1992 and 1991, the Pump/Seal Segment accounted for 93.0% and 90.0%, respectively, of the Company's net sales.

Three Months Ended March 31, 1992
Compared to Three Months Ended March 31, 1991
(Dollars in Millions)

	1992			1991		
	Net Sales	Operating Income	Operating Income as a % of Total Net Sales	Net Sales	Operating Income	Operating Income as a % of Total Net Sales
Pump/Seal	$106.4	$22.3	21.0%	$ 94.1	$21.0	22.3%
Fluid Controls ..	8.0	-	-	10.4	0.8	7.7
The Company	114.4	22.3	19.5	104.5	21.8	20.9

Net sales of $114.4 million for the three months ended March 31, 1992 were $9.9 million, or 9.5%, higher than the corresponding period in 1991. The Pump/Seal Segment experienced an increase in net sales of $12.3 million in the first quarter of 1992 over the comparable period in 1991, primarily due to strong sales in Europe for both pump and seal products. Net sales for the Fluid Controls Segment during the first quarter of 1992 were $2.4 million lower than during the first quarter of 1991 primarily due to lower sales in the defense and flight controls portions of the business.

Operating income for the quarter ended March 31, 1992 was $22.3 million, an increase of 2.1% over the comparable period in 1991. Operating income for the Pump/Seal Segment increased approximately 6% in the first three months of 1992 over the corresponding period in 1991 primarily due to increased volume and improved margins in Europe. Operating income did not increase proportionately with the increase in net sales due to a shift in product mix, primarily within the aftermarket portion of the business. In addition, operating income attributable to the Segment's Mexican operations was down during the first quarter of 1992 as compared to the first quarter of 1991. The Fluid Controls Segment had break-even results during the quarter ended March 31, 1992, down $0.8 million from the corresponding period in 1991. The decrease was due to lower volume within the defense and flight controls portions of the business.

Contributing to the overall operating income increase was a decrease in the Company's selling, administrative and operating expenses as a percentage of net sales from 22.8% for the three months ended March 31, 1991 to 21.9% for the corresponding period in 1992. Included in the first quarter of 1992 are $2.1 million of dividends received from the Company's Argentine affiliate. No dividends were received during 1991. Offsetting the dividends are increased costs associated with the Company's 401(K) and pension plans.

Interest expense was reduced by $1.4 million for the three months ended March 31, 1992 as compared to the corresponding period in 1991 primarily because of lower levels of debt and lower interest rates.

The Company's effective tax rate decreased from 37.0% for the three months ended March 31, 1991 to 34.0% for the corresponding period in 1992. The lower rate reflects utilization of foreign tax credits in the United States. In addition, during the first quarter of 1992 the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." The adoption contributed to the Company's lower effective tax rate for 1992 and resulted in a $2.0 million gain ($.08 per share) for the cumulative effect of the change.

On February 26, 1992, the Company completed a secondary public offering of 6,325,000 shares of its Class A common stock. All of the shares were sold by selling stockholders other than the Company. Subject to agreements with such selling stockholders, the Company was obligated to pay certain expenses related to the offering. Such expenses totaled approximately $650 ($453 after-tax, or $.02 per share) and have been recorded in the other expenses line within the condensed consolidated statements of operations. In addition, the Company was required to prepay the 8.5% Junior Subordinated Notes due Borg-Warner Corporation (Borg-Warner) at a price equal to the $14,201 principal amount thereof. Such prepayment resulted in a reduction in long-term debt of approximately $9.9 million and in the Company's incurring an extraordinary loss on this transaction equal to the unamortized discount on those notes as of the prepayment date, approximately $4.2 million ($2.9 million after-tax, or $.12 per share).

Order input for the three months ended March 31, 1992 was $132.0 million compared with $113.3 million for the corresponding period in 1991. Backlog at March 31, 1992 was $223.6 million compared to $231.3 million at March 31, 1991. While order input increased during the first quarter of 1992 for pump and seal products in both the United States and Europe, these increases were offset by a decrease in order input for the Fluid Controls Segment. Backlog at March 31, 1992 also reflects lower order input during the fourth quarter of 1991, specifically for the pump business in the United States and for the Pump/Seal Segment in Mexico.

The Company expects that its future operating margins will decline somewhat from the high levels that have been achieved in recent periods. Since early 1991, the Company has emphasized its OE business in selected markets. This strategy is designed to increase the Company's installed base of equipment, which in turn should generate future aftermarket sales. However, because of the lower margins typical of the OE business as compared to the aftermarket business, this change in product mix is expected to reduce overall operating margins. Despite this anticipated reduction, the Company does not expect the

planned increase in its OE business to have a material adverse effect on its net income. In addition, the Company's Mexican subsidiary is expected to continue experiencing a reduced level of sales and income through 1992. Government policy is holding back capital expenditures by PEMEX, the state-owned oil company, in order to control that country's inflation rate. The Mexican economy relies very heavily on the petroleum industry, and the Company believes this freeze on expenditures will not continue over the long term.

Military procurement programs are vulnerable to budget cutbacks and political shifts that could alter the demand for products of the Company's Fluid Controls Segment. The Company anticipates that there will be a reduced number of new programs of the type for which the Company supplies products.

Liquidity and Capital Resources

Cash flow from operations, credit available under its credit agreements and customer progress payments have been the Company's primary sources of short-term liquidity. During the three months ended March 31, 1992, the Company generated net funds from operating activities of $12.7 million, an increase of $27.2 million over the comparable period in 1991. The first quarter of 1991 reflected a significant increase in working capital, primarily accounts receivable. Also contributing to the 1992 improvement in operating cash flow was a reduction in income tax payments.

At March 31, 1992, the Company had letters of credit totalling $13.7 million, but no other borrowings, outstanding under its credit agreements and had $69.4 million available for borrowing under such agreements. As of March 31, 1992, the Company had outstanding $25.8 million of obligations relating to performance bonds ($3.7 million of which were supported by the outstanding letters of credit referred to above) of which approximately $2.1 million were provided by Borg-Warner (the Company being obliged to repay Borg-Warner for any payment made thereunder).

On May 4, 1992, the Company notified holders of its senior subordinated and subordinated debentures that the Company would redeem all such indebtedness on May 19, 1992. Such indebtedness includes $61 million in face amount of 12.25% senior subordinated debentures that mature in 1997 and $26 million in face amount of 12.75% subordinated debentures that mature in 1999. In order to effect the refinancing, on April 30, 1992 the Company issued in a private placement $50 million of 7.92% senior notes that mature in 1999 (subject to mandatory prepayments beginning in 1994). Additionally, on May 4, 1992 the Company amended its U.S. credit facility to increase its credit line to $100 million, a portion of which will be applied to effect the redemption. As a result of such redemption, the Company will incur an extraordinary loss of approximately $7.7 million during the second quarter of 1992.

All of the borrowings of BW/IP under its credit facilities are at floating interest rates, interest costs are therefore subject to significant changes depending upon the movement of short-term interest rates.

During the three months ended March 31, 1992, the Company spent approximately $3.1 million on fixed assets, primarily for renewal and replacement and cost reduction machinery and service center expansion. The Company's 1992 capital expenditure budget is approximately $15 million. These expenditures will be financed from operations and utilization of available credit facilities.

Part II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits - none

(b) There were no reports on Form 8-K filed during the quarter ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BWIP HOLDING, INC.
(Registrant)

Date: May 14, 1992

By: _____
E. P. Cross
Vice President - Finance
(Duly Authorized Officer)

Date: May 14, 1992

By: _____
N. A. Ludlam
(Chief Accounting Officer)